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Guatemala

Oilseeds and Products

Annual

2006

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Report Highlights:

Guatemala domestic consumption of oils and grease is 200,000 MT/year. Palm oil and palm kernel oil account for 93% of the country's production, and provide 76,300 MT of oil for the food processing industry. In 2005 palm oil production was 90,000 MT. For 2006 palm oil production is expected to increase to 150,000 MT. The local food processing industry is shifting from the use of soybean oil to palm oil, for frying purposes. Palm oil is more cost effective as it is more stable for frying and it is 20% cheaper than soybean oil. Soybean oil imports are forecast to drop from 70,600 MT to 34,300 in 2006.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Guatemala's palm oil production is expected to increase from 90,000 MT in 2005 to 150,000 MT in 2006. Domestic consumption is expanding, thanks to the oil's stability for frying and competitive cost. Imports of soybean oil, which directly compete in the food industry, may experience a drop from 70,600 MT in 2005 to 34,300 MT in 2006, as palm oil is aggressively conquering new niches.

Palm oil and palm kernel oil account for 93% of Guatemalan oil production. The final 7% corresponds to soybean oil, which only covers 8% of the local demand. Argentina shared 30-40% of soybean and soybean meal imports before 2004. The U.S. shares in 2004 and 2005 showed a considerable increase. Guatemala imports 96% of its soybean oil and 76% of its soybean meal from the United States. Guatemala's total oil and grease consumption in 2005 was estimated in 200,000 MT. A general 5% increase is expected for 2006.

The animal feed industry imported 241,400 MT of meals in 2005. Local meal production roughly covers 15% of the local demand.

Guatemala exports 76,300 MT of palm oil, mainly to Mexico and El Salvador. Total imports of soybean oil are domestically consumed. Crude sunflower seed oil is mostly imported from the U.S. and the refined oil is re-exported to the rest of the Central American countries. El Salvador is the major importer for Guatemala's sunflower oil.

Production

Guatemala is the third largest producer of palm oil in Central America, providing 18% of the region's palm oil. Both palm oil and palm kernel oil account for 93% of the Guatemalan oil production. Soybean oil constitutes 7% of the country's oil production.

Oilseeds

PSD Table						
Country	Guatemala				(1000 HA) (1000	
Commodity	Oil, Palm				TREES) (1000 MT)	
	Revised	**2004**	**Preliminary**	**2005**	**Forecast**	**2006**
	Old	New	Old	New	Old	New
Market Year Begin		10/2003		10/2004		10/2005
Area Planted		29.7		37.5		39.7
Area Harvested		15.1		15.6		26.8
Bearing Trees						
Non-Bearing Trees						
Total Trees						
Beginning Stocks	0.0	7.8	0.0	7.0		7.0
Production	115.0	95.6	115.0	98.9		154.5
Imports	16.0	17.1	15.0	19.3		5.5
Imports from U.S.	0.0	0.0	0.0	0.0		0.0
TOTAL SUPPLY	131.0	120.5	130.0	125.2		167.0
Exports	68.0	75.8	70.0	76.3		79.0
Domestic Consumption	63.0	37.7	60.0	41.9		79.5
Ending Stocks	0.0	7.0	0.0	7.0		8.5
TOTAL DISTRIBUTION	131.0	120.5	130.0	125.2		167.0

Palm oil production in Guatemala is distributed among 4 major producers: Hame, Indesa, Superior, and Agrocaribe. From the 39,650 Ha planted, 900 Ha belong to independent producers that provide palm fruits to Agrocaribe, who provides both processing and technical assistance. Average palm oil yields per year are estimated in 7 MT/Ha (7,000 Kg/Ha). Total oil yield of palm, including kernel oil, is estimated in 7.6 MT/Ha. Palm oil represents 23% of the fruit content while palm kernel oil is roughly 2% of the fruit's oil. Palm kernel oil accounts for 10% of the total extracted oil.

Palm oil farms and processing plants are located in the North (Petén), Northwest (Izabal), and South Coast. Productivity in the South Coast is higher than in the Northwest, but production costs are higher due to irrigation requirements. The operation efficiency is comparable between both the South Coast and the Northwest production areas. Petén will probably replace the South Coast plantations in a couple of years, since rainfall in the Petén is more evenly distributed through the year and better approaches oil palm's needs.

Production of fruit and oil varies during the year according to the wet and dry seasons. Production peaks from August to October, when each month's production accounts for 16.5% of the total annual production. From January to March, the drier months, roughly 1.5-2.0% of the production is processed monthly.

Worldwide demand for palm oil showed a steep annual increase from 3.24% to 5.85% of the total demand for oils in 2003/2004. Guatemala has also increased its planted area from 29.7 to 37.5 thousand Ha. Harvested area is dramatically increasing in 2006, allowing a production jump from 90,000 MT to 150,000 MT. Since palm flowering and palm fruit production heavily rely upon rains, Guatemalan producers are very positive about this year's production because La Niña is forecast with above average rain and because production is moving to the rainier Atlantic side.

Most of the planting seed for palm production comes from Costa Rica, and the most popular varieties grown in Guatemala are English Deli x Econa and Deli x Aros (ASD Costa Rica), Dami Las Flores (Hacienda Las Flores), Deli x Yangambi (ASD Costa Rica); Costa Rica selected lines Deli x Ghana, Deli x Nigeria (ASD Costa Rica), French line Deli x Irho, and Deli x La mé. The main lines with better adaptation in Guatemala are Deli x Ghana, Deli x Irho, and Damila Flores. These varieties allow for 20-25% extraction efficiency and have a 65-70% olein content. New clones (Fran and Tornado, from Costa Rican origin and selection) under test production may increase yields from 7 MT/Ha to 10 MT/Ha as these clones can be planted in higher densities (200 plants/Ha). New hybrids (Elaeis guineensis x Elaeis oleifera), also under test production, have 85% olein content, thus potentially increasing extraction efficiency up to 35-40%.

PSD Table						
Country	Guatemala				(1000 HA)	
Commodity	Oil, Soybean				(1000 MT)	
	Revised	**2004**	**Preliminary**	**2005**	**Forecast**	**2006**
	Old	New	Old	New	Old	New
Market Year Begin		10/2003		10/2004		10/2005
Area Planted		13.0		13.5		13.0
Area Harvested		11.0		12.5		10.0
Beginning Stocks		0.5		0.5		0.5
Production		6.2		7.0		7.7
Imports		67.9		70.6		34.3
Imports from U.S.		64.9		67.8		34.3
TOTAL SUPPLY		74.6		78.1		42.5
Exports		0.0		0.0		0.0
Domestic Consumption		74.1		77.6		42.0
Ending Stocks		0.5		0.5		0.5
TOTAL DISTRIBUTION		74.6		78.1		42.5

Soy is a minor crop in Guatemala. Most soy production is found in the South Coast. Soy is grown primarily for meal production; the oil is considered a by-product. Guatemala produced about 7,000 MT of soy oil in 2005. Guatemala imports 92% of the soybean oil from the U.S. Since local restaurants and food processors are showing greater interest in domestically produced palm oil, it is possible that U.S. soy oil exports will fall in 2006, possibly by up to half.

PSD Table						
Country	Guatemala				(1000 HA)	
Commodity	Oil, Sunflower seed				(1000 MT)	
	Revised	**2004**	**Preliminary**	**2005**	**Forecast**	**2006**
	Old	New	Old	New	Old	New
Market Year Begin		10/2003		10/2004		10/2005
Area Planted						
Area Harvested						
Beginning Stocks	0.0	0.0	0.0	3.4		3.5
Production	0.0	0.0	0.0	0.0		0.0
Imports	15.0	25.6	22.0	23.9		23.0
Imports from U.S.	14.0	25.4	21.0	25.9		14.0
TOTAL SUPPLY	15.0	25.6	22.0	27.3		26.5
Exports	8.0	9.2	8.0	9.0		8.5
Domestic Consumption	7.0	13.0	14.0	14.8		14.7
Ending Stocks	0.0	3.4	0.0	3.5		4.1
TOTAL DISTRIBUTION	15.0	25.6	22.0	27.3		27.3

Meals

Meals are produced in Guatemala for animal feed, almost exclusively devoted to the poultry industry. Local production of soybean and palm kernel meal account for 15% of the local demand, forcing the animal feed industry to import 241,400 MT of meals in 2005.

PSD Table						
Country	Guatemala				(1000 HA)	
Commodity	Soybean meal				(1000 MT)	
	Revised	**2004**	**Preliminary**	**2005**	**Forecast**	**2006**
	Old	New	Old	New	Old	New
Market Year Begin		10/2003		10/2004		10/2005
Area Planted		13.0		13.0		13.0
Beginning Stocks	0.0	0.0	0.0	0.0		0.0
Production	0.0	27.6	0.0	31.1		34.2
Imports	227.0	215.3	240.0	230.0		243.8
Imports from U.S.		175.9		169.5		175.0
TOTAL SUPPLY	227.0	242.9	240.0	261.1		278.0
Exports	0.0	0.0	0.0	1.1		0.6
Domestic Consumption	227.0	242.9	240.0	260.0		277.4
Ending Stocks	0.0	0.0	0.0	0.0		0.0
TOTAL DISTRIBUTION	227.0	242.9	240.0	261.1		278.0

PSD Table						
Country	Guatemala			(1000 HA)		
Commodity	Palm kernel Meal			(1000 MT)		
	Revised	**2004**	**Preliminary**	**2005**	**Forecast**	**2006**
	Old	New	Old	New	Old	New
Market Year Begin		10/2003		10/2004		10/2005
Area Planted		29.7		37.5		39.7
Area Harvested		15.1		15.6		26.8
Beginning Stocks		0.0		0.0		0.0
Production		10.3		10.6		18.2
Imports		0.0		0.0		0.0
Imports from U.S.		0.0		0.0		0.0
TOTAL SUPPLY		10.3		10.6		18.2
Exports		0.0		0.0		0.0
Domestic Consumption		10.3		10.6		18.2
Ending Stocks		0.0		0.0		0.0
TOTAL DISTRIBUTION		10.3		10.6		18.2

Consumption

Guatemala’s total oil and grease consumption in 2005 was estimated in 200,000 MT. A 5 percent increase is expected for 2006.

Oils

Guatemala’s vegetable oil production continues to increase as local consumption of vegetable oil, shortening, and margarine increases. Exports of finished oils and margarines to neighboring countries are experiencing a similar increase. The food industry is the major consumer of palm oil. Big companies in Guatemala, like Frito Lay and Bimbo, have shifted 100% of their consumption of soybean oil to palm oil; palm oil is more cost effective as it allows more frying per serving. Margarine producers are also more interested in palm oil due to its low trans-fatty acid and antioxidant characteristics.

There is considerable expansion potential for oil consumption in Guatemala. Total per capita oil consumption in Guatemala is 18 kg, compared to Mexican oil consumption of 35 kg. Guatemalan palm oil producers consider there is still great potential for higher “good oil” consumption, and that lard and tallow use might eventually shift to palm oil.

Palm kernel oil or “palmist” is used in the cosmetic and soap industry to provide creamy properties. Local and Mexican companies using Guatemalan palmist are Colgate and Procter & Gamble. This oil might potentially replace tallow if Guatemala can increase its production in order to meet demand. In 2006, an estimate of 13,043 MT of palmist is to be produced. Guatemala imported almost 50,000 MT of tallow in 2005.

Meals

The preferred oil meals in the Guatemalan feed sector are soybean meal, palm kernel meal, and fishmeal. The poultry industry is the main importer of soybean meal. The cattle industry is beginning to increase its use of meals.

Trade

Guatemala's palm oil imports are primarily refined oil. Roughly 2% of crude palm oil, for future processing, is imported to cover export commitments with Mexico and Central America. Mexico and El Salvador are the major export markets for Guatemala's palm oil.

Soybean oil imports from the U.S. showed a two-fold increase in 2004, positioning the U.S. as the main provider for Guatemala. Argentina used to provide 30-40% of Guatemala's total soybean oil imports.

Refined sunflower seed oil was also imported from Argentina before 2004. For the last two years, the U.S. provided 99% of the market. The oil refining companies are using more soybean and palm oil than sunflower seed oil, mainly due to price considerations. The average fob price for soy oil was $ 500 / MT in 2005, growing 4.5% annually. In contrast, the average fob price for palm oil has been steady at $ 400 / MT.

At least 80% of imported soybean meal comes from the U.S. Argentina shared 15% of Guatemala's imports, but the trend is to bring most of the soybean meal from the U.S. due to lower prices and cheaper transportation costs.

Import Trade Matrix				
Country	Guatemala			
Commodity	Oil, Palm			(1,000 $)
Time Period	Jan-Dec			(1,000 MT)
Imports for:	2004	Units	2005	Units
U.S.	0.0	0.0	0.4	0.0
Others				
Honduras	8,144.0	14.5	7,646.1	14.5
Malaysia	1,010.2	2.3	242.6	0.6
Indonesia	131.0	0.2	0.0	0.0
El Salvador	71.6	0.1	27.1	0.0
Total for Others	9,356.8	17.1	7,915.8	15.1
Others not listed	37.0	0.0	14.1	0.1
Grand Total	9,393.8	17.1	7,929.9	15.2

Export Trade Matrix				
Country	Guatemala			
Commodity	Oil, Palm			(1,000 $)
Time Period	Jan-Dec			(1,000 MT)
Exports for:	2004	Units	2005	Units
U.S.	0.0	0.0		0.0
Others				
Mexico	17,665.2	36.3	15,865.0	38.2
El Salvador	15,752.2	26.7	12,818.0	23.4
Nicaragua	2,583.4	3.8	1,596.0	2.4
Honduras	25.3	0.0	96.0	0.2
Total for Others	36,026.1	66.8	30,375.0	64.2
Others not listed	0.1	0.1	26.0	0.1
Grand Total	36,026.2	66.9	30,401.0	64.3

Import Trade Matrix				
Country	Guatemala			
Commodity	Oil, Soybean			(1,000 $)
Time Period	Jan-Dec			(1,000 MT)
Imports for:	2004	Units	2005	Units
U.S.	39,503.8	64.9	43,108.2	81.4
Others				
Argentina	1,615.8	2.2	0.0	0.0
Costa Rica	344.0	0.4	75.7	0.0
Mexico	335.9	0.4	10.6	0.0
El Salvador	71.3	0.0	402.6	0.6
Total for Others	2,367.0	3.0	488.9	0.6
Others not listed	0.7	0.0	1.5	0.0
Grand Total	41,871.5	67.9	43,598.6	82.0

Import Trade Matrix				
Country	Guatemala			
Commodity	Oil, Sunflower seed			(1,000 $)
Time Period	Jan-Dec			(1,000 MT)
Imports for:	2004	Units	2005	Units
U.S.	16,354.2	25.7	9,165.9	14.0
Others				
Costa Rica	140.7	0.1	94.1	0.1
El Salvador	91.1	0.1	93.1	0.1
Panama	18.1	0.0	32.5	0.0
Total for Others	109.2	0.2	219.7	0.2
Others not listed	141.8	0.0	17.7	0.0
Grand Total	16,605.2	25.9	9,403.3	14.2

Export Trade Matrix				
Country	Guatemala			
Commodity	Oil, Sunflower seed			(1,000 $)
Time Period	Jan-Dec			(1,000 MT)
Exports for:	2004	Units	2005	Units
U.S.	0.0	0.0	0.0	0.0
Others				
El Salvador	6,636.7	6.5	6,738.8	6.6
Nicaragua	941.6	1.0	659.1	0.7
Panama	381.0	0.7	108.9	0.2
Honduras	482.2	0.6	401.8	0.5
Costa Rica	524.9	0.5	524.9	0.5
Total for Others	8,966.4	9.3	8,433.5	8.5
Others not listed	54.5	0.0	0.0	0.1
Grand Total	9,020.9	9.3	8,433.5	8.6

Stocks

Stocks for all oils and meals are less than 8,000 MT. From the total supply, 98-100% is consumed and/or exported. The whole world market roughly holds stocks for 38 days.

Policy

Under CAFTA, Guatemalan tariffs on crude vegetable oils will go to zero immediately from the current 15%. The exception is crude palm oil, which will retain a 5% tariff phased out over 10 years. Stearin will have a 25% tariff, to be eliminated in 15 years. Refined oils will continue to be subject to a 15% tariff, to be phased out over 15 years.

Marketing

Guatemalan producers are promoting palm oil as a healthy product contributing to the improvement of the environment. Reportedly, the oil palm plantations in Guatemala generate close to 1 million tons of oxygen and sequester 2 million tons of carbon annually. In addition, palm oil does not contain cholesterol nor trans fatty acids, but is rich in HDL and has 60 times the antioxidant power of Vitamin B (tocopherol), as tocotrienol molecules.

Refined palm oil is not available for retail sale due to its stearin content, which forms a solid film around the liquid oil at room temperature, and its red natural color. Malaysia (major palm oil producer), Indonesia, Ecuador and Brazil market red palm oil as a finished product. Colombia will make its first trials with red oil in 2006/7. Guatemala expects similar trials for 2007/8, as the new hybrids (*Elaeis guineensis* x *Elaeis oleifera*) are ready to be harvested.

Palm oil producers are interested in promoting biodiesel production and use in Guatemala. A 4.0 million ton production, equivalent to 4% of Guatemala's diesel consumption, could have a great impact in the environment and allow Guatemala to comply with the Kyoto Protocol. The principal barrier to biodiesel use is that present laws do not allow the addition of biofuels to diesel. The proposal would have to be supported by the government. Meanwhile, German models of biodiesel plants are already being analyzed.